New Issue: CORRECTION TO TEXT AUGUST 11, 2011 RELEASE: MOODY'S ASSIGNS MIG 1 TO TOWN OF EASTON'S (MA) $4.4 MILLION G.O. BANS

Global Credit Research - 11 Aug 2011

LONG-TERM Aa3 RATING APPLIES TO $35.3 MILLION OUTSTANDING GO DEBT

Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Bond Anticipation Notes	MIG 1

Sale Amount	$4,400,000
Expected Sale Date	08/11/11
Rating Description	General Obligation

Opinion

NEW YORK, Aug 11, 2011 -- Correction of issue security and debt service exemptions. Revised release follows.

Moody's Investors Service has assigned a MIG 1 rating to the Town of Easton's (MA) $4.4 million General Obligation Bond Anticipation Notes (dated August 26, 2011 and payable August 24, 2012). Moody's maintains a Aa3 rating on the town's outstanding $35.3 million long-term general obligation bonds. Easton's voters have excluded debt service from the property tax levy limitations of Proposition 2 1/2 for the Easton Middle and High School projects, affecting $275,000 of the notes, which are secured by the town's unlimited tax pledge. The remainder of the notes ($4,190,000) are secured by Easton's limited tax pledge and are issued for various capital projects.

SUMMARY RATINGS RATIONALE

The MIG 1 rating reflects the town's demonstrated market access and underlying credit strength. The long-term Aa3 rating incorporates the town's satisfactory financial operations, a moderately-sized tax base and a manageable debt burden.

STRENGTHS

-Stable, mature tax base with above average demographic profile

-Manageable debt burden

WEAKNESSES

- Reliance on reserves to address budget gaps

DEMONSTRATED MARKET ACCESS

Moody's expects Easton to continue to demonstrate satisfactory access to the capital markets given a history of competitive bids on its previous borrowings. The town received six bids on its most recent note sale dated February 11, 2011 and four bids on its sale dated April 14, 2010. All bids were received from major regional and national financial institutions. Moody's believes this history coupled with the credit quality of the town indicates an ability to refund the current issue, if necessary, at its August 24, 2012 maturity.

DETAILED CREDIT DISCUSSION

SATISFACTORY FINANCIAL POSITION

Moody's believes the town's financial position will remain satisfactory but may continue to narrow as a result of rising expenditure pressures and use of reserves for budgetary relief. Available reserves, which are comprised of the town's unreserved general fund balance and its stabilization fund, amounted to $4.9 million at fiscal 2010 year-end (or a satisfactory 7.4% of general fund revenues) up slightly from fiscal 2009 available reserves of $4.2 million (or 6.7% of general fund revenues) . The town's total general fund balance increased by approximately $600,000 to $3.7 million or 5.6% of General Fund revenues. The town's total general fund balance includes a $172,883 reserve for debt service, which has declined from $1.1 million in fiscal 2007 in line with management's intentions, but $2.4 million remains unreserved, an increase from fiscal 2009 with $1.3 million unreserved.

The town's fiscal 2011 operating budget increased by approximately 3% from the previous year and was balanced with an appropriation of $1.6 million of free cash. The town projects to end 2011 with a modest budgetary surplus resulting from a $600,000 favorable performance of revenues. However, the town plans to replenish only $500,000 of its appropriated reserves. The town's projects its available reserves will decrease to approximately 3.2 million due in large part to a $400,000 transfer from the stabilization fund to the capital stabilization fund. The fiscal 2012 budget is expected to increase by 1.7%, and is balanced with a $1.3 million fund balance appropriation. The budget includes a slight ($53,000) reduction in state aid; aid from the Commonwealth accounts for approximately 28% of the town's revenues and therefore presents an area of vulnerability. Moody's will continue to monitor Easton's financial flexibility and future rating reviews will factor in the town's ability to maintain structural balance while maintaining, at minimum, reserves in step with budgetary growth.

FLAT TO MODEST VALUE DECLINES EXPECTED IN MODERATELY SIZED TAX BASE

Located 24 miles south of Boston (G.O. rated Aaa/stable outlook), this predominantly residential (87% of assessed valuation) community has land available for development, and management reports modest increases in single family home construction. Indicative of this trend, Easton's fiscal 2011 new growth levy was $380,307, and is budgeted to increase to $400,000 in fiscal 2012, still down more than 60% from new growth revenue of over $1 million in 2006. In fiscal 2011 assessed values declined by 3.9% from 2010, which may continue into 2012 given the impact of the recession. However, Easton has adjusted its tax rate annually to maximize property tax levy growth of 2.5% as provided by Proposition 2 ½. Wealth and income levels are healthy, with per capita income equal to 118.4% and 142.4% of commonwealth and national medians, respectively, and equalized value per capita is solid at $140,295.

MANAGEABLE DEBT BURDEN

Moody's expects the town's average debt burden (1.5% of equalized value) will remain manageable given a reasonable rate of principal amortization (75.4% repaid within 10 years) and modest additional borrowing plans. When state support for school construction are incorporated, the town's adjusted debt burden declines to a more favorable 1.2% of equalized valuation.. The town has near term borrowing plans of approximately $1.4 million for the purchase of an ambulance and salt shed.

WHAT COULD MAKE THE RATING CHANGE UP

-- Improved financial position through an established trend of structurally balanced operations and augmentation of reserves

WHAT COULD MAKE THE RATING CHANGE DOWN

-- Protracted structural budget imbalance

-- Depletion of General Fund balance and other available reserves

-- Deterioration of the town's tax base

KEY STATISTICS:

2008 Population: 22,299

2011 Equalized valuation: $3.2 billion

2011 Equalized value per capita: $140,295

Direct debt burden: 1.5%

Payout of principal (10 years): 75.4%

Fiscal 2010 Available Reserves: $4.9 million (7.4% of revenues)

Long-term General Obligation debt outstanding: $35.3 million

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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